MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

BAC4654 – E-AUDITING

(All Sections / Groups)

30th May 2019
2.3 p.m – 5.30 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 3 pages excluding cover page with 4 Questions only.

2. Answer all **FOUR** questions. Mark distribution for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

a) The improvement in information technology had changed accounting. As more businesses are making their products to be available on various medium such as websites and social media, online transactions have been on a steady increase too. With these changes, auditors have moved to use information technology to assist them in carrying out their audit tasks. You are required to discuss **THREE (3)** reasons why auditing using information technology benefits the auditors.

(10 marks)

b) In carrying audit using information technology, auditors are able to speed up many routine tasks and focuses more on crucial ones. Discuss **THREE (3)** challenges that auditors usually face when they perform audit using software packages.

(10 marks)

c) In the auditing around-the-computer approach, the processing portion is ignored. Source documents supplying the input into the system are selected, summarised manually and later compared to the various output. Describe **TWO (2)** advantages of using this approach.

(5 marks)

(Total: 25 marks)

QUESTION 2

a) Generalised audit software (GAS) is a software that has been specifically designed to allow auditors to perform audit-related data processing functions. Do you agree that all companies are suitable to be audited using GAS? Justify your opinion.

(9 marks)

b) In planning the audit, the information systems (IS) auditor should always consider the most suitable combination of both manual techniques and computer assisted audit techniques (CAAT). Explain **THREE (3)** factors that need to be considered before auditors were to decide to use CAATs.

(12 marks)

c) Describe **TWO (2)** scenarios whereby using CAAT is not advisable.

(4 marks)

(Total 25 marks)

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QUESTION 3

a) E-commerce is usually referred to as transactional activities such as buying and selling of goods and services using the internet. Retailers are keen to choose e-commerce due to easy access to customers, the ability to process high number of orders and overcoming geographical limitation. Explain **THREE (3)** risks to e-commerce.

(12 marks)

b) Electronic data interchange (EDI) is the electronic exchange of information between trading partners. It usually improves accuracy and cuts costs by eliminating the need to mail, process and store paper documents. The EDI should improve the speed of information exchange too, which enables companies to carry less inventory. Explain **THREE (3)** control objectives in EDI environment.

(9 marks)

c) Clarify what are the auditors' role in e-commerce audit. (4 marks)

(Total 25 marks)

QUESTION 4

a) You are an audit supervisor assigned to a new client, Magenta Manufacturing Bhd. You visited the client's office to become acquainted with key personnel and to perform preliminary review of the company's accounting policies, controls and systems.

During the visit, you observed that all employees wear their staff I/D at all times. This is probably because all rooms are equipped with I/D scanner at the door and only those with their I/D can enter the respective rooms. You also found that all computers are connected to two network printers, which are located at the printing room and everyone can send their printouts to those printers. The I/D scanner at the printing room was broken and never got fixed on the belief that only authorized personnel can access the office in the first place.

The office manager mentioned that all staff are forced to change their password every four months to ensure its effectiveness, and this is done automatically because the system will prompt the password change requirement. At the back of the office, two rooms were allocated for staff training. Upon checking, you saw a few pages of training manuals were dumped into the rubbish bin for the cleaners collection. The bins are usually cleaned at the end of the office hour on daily basis.

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You have also observed that there are some financial output that were sent to the network printer that were not collected and all of them are thrown into the big waste bin together with other print-outs. Stick-on-notes on staff laptop appears to be a norm too. Those who are in-charged with recording employees' payroll has little notes on the maximum hours of the respective staff as follows:

Maximum hours :
- *Production department → 40 hours*
- *Marketing department → 38 hours*
- *Overtime all departments → 4 hours*

Required:

i. Discuss the adequacy of any **THREE (3)** of the general controls that have been implemented by the company and suggest relevant approaches that could improve those controls, where appropriate.

(9 marks)

ii. Discuss the adequacy of the application controls that have been implemented by the company and suggest relevant approaches that could improve those controls, where appropriate.

(6 marks)

b) A formal code of ethics is usually formalised as part of the company-documented policy. Defend, why code of ethics is required despite the belief that most people would act ethically almost in all circumstances.

(10 marks)

(Total: 25 marks)

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